



## FCA issues its first decision under competition law

Press Releases | Published: 21/02/2019 | Last updated: 21/02/2019

---

The Financial Conduct Authority (FCA) has today issued a decision which finds that 3 asset management firms breached competition law. This is the FCA's first formal decision under its competition enforcement powers.

---

The firms are:

- Hargreave Hale Ltd
- Newton Investment Management Limited
- River and Mercantile Asset Management LLP (RAMAM)

The FCA has fined Hargreave Hale £306,300 and RAMAM £108,600. The FCA has not imposed a fine on Newton because it was given immunity under the competition leniency programme.

The infringements consisted of the sharing of strategic information, on a bilateral basis, between competing asset management firms during one initial public offering and one placing, shortly before the share prices were set. The firms disclosed and/or accepted otherwise confidential bidding intentions, in the form of the price they were willing to pay and sometimes the volume they wished to acquire. This allowed one firm to know another's plans during the IPO or placing process when they should have been competing for shares.

Asset managers bid for the shares they want in IPOs and placings against competing asset managers in prevailing market practice. If asset managers share detailed and otherwise confidential information about their bids with each other, they undermine the process by which prices are set. This can reduce pressure to make bids that reflect what they really think the company is worth. This could reduce the share price achieved by the IPO or placing and so raise the cost of equity capital for the issuing company. Firms rely on such capital as a way of financing investments, so unlawful information sharing could increase the cost of related investments or even make them unviable.

Christopher Woolard, Executive Director of Strategy and Competition at the FCA, said:

'This is our first case using our competition law powers and demonstrates our commitment to taking enforcement action to protect competition. Asset management firms must take care to avoid undermining how prices are properly set for shares in both IPOs and placings. Failure to do so risks them acting illegally. The FCA will act when markets that play a vital role in helping companies raise capital in the UK's financial markets are put at risk. We can also take regulatory action against an individual and did so here with respect to some of the same facts.'

Over £31 billion was raised on just the London Stock Exchange (LSE) markets in new investment between 2015 and 2018. This shows how important it is to protect competition in the primary capital markets during a book-building process.

The FCA has also decided that there are no grounds for action in respect of conduct between Artemis Investment Management LLP and Newton that took place between April and May 2014 in relation to an IPO.

Separately, on 5 February 2019, the FCA announced that it had fined an individual under the Financial Services and Markets Act 2000 (FSMA) for conduct related to some of the same facts investigated under the Competition Act.

## Notes to editors

1. This decision follows a [statement of objections issued in November 2017](#). An appeal of the FCA's decision can be made to the Competition Appeal Tribunal within 2 months of the date the party appealing was notified of the decision or the date it is published, whichever is earlier.
2. The Competition Act 1998 prohibits agreements, practices and conduct that may damage competition in the UK. The Chapter I prohibition covers anti-competitive agreements and concerted practices between businesses which have as their object or effect the prevention, restriction or distortion of competition within the UK. Article 101 of the Treaty on the Functioning of the European Union (TFEU) covers equivalent agreements or practices which may affect trade between EU member states.
3. Any business found to have infringed the Chapter I prohibition and/or Article 101 TFEU can be fined up to 10% of its annual worldwide group turnover. In calculating financial penalties, the FCA takes into account a number of factors including seriousness and duration of the infringement(s), turnover in the relevant market and any mitigating and/or aggravating factors.
4. The decision is addressed to the following parties:
  - a. Artemis Investment Management LLP;
  - b. Hargreave Hale Ltd;
  - c. Newton Investment Management Limited (subsidiary), and The Bank of New York Mellon Corporation (ultimate parent); and
  - d. River and Mercantile Asset Management LLP (subsidiary), and River and Mercantile Group PLC (ultimate parent).
5. The FCA used the same criteria in calculating financial penalties for Hargreave Hale and RAMAM. The different penalty levels reflect Hargreave Hale's and RAMAM's respective turnovers in the relevant market.
6. Under the competition leniency policy, a business that has been involved in a cartel may be granted immunity from penalties or a significant reduction in penalty in return for reporting cartel activity and assisting the FCA with its investigation. [View more information on the FCA's leniency and informant reward policies](#).
7. The FCA will publish a non-confidential version of its decision under the Competition Act 1998 in due course. The FCA's [Final Notice in relation to the individual \(Paul Stephany\)](#), under FSMA related to some of the same facts.
8. The powers and processes (including publicity) that the FCA has and follows in relation to the Competition Act 1998 are separate and different from those followed in relation to FSMA. Competition Act 1998 cases may also be brought by the Competition and Markets Authority.
9. Regulated firms should bring their own actual and possible significant contraventions of competition law to the FCA's attention, as they are obliged to do under Principle 11 of the Principles for Businesses and rules in the FCA's Supervision manual.
10. Book-building processes have been used to raise significant amounts of capital, so it is important that they operate competitively: in the 4 years between 2015 and 2018, there were 571 new listings (i.e. companies admitted to the LSE markets for the first time and where capital is raised through the sale of new and/or existing shares) on the LSE markets (i.e. UK main market, AIM, International main market and the Specialist Fund Segment which was formerly the Specialist Fund Market), with £31.1 billion raised in new investment (excluding transfers between LSE markets). [View the statistics on the London Stock Exchange website](#).